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Commonwealth of Kentucky
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Gregory Coker
Commissioner

Christopher L. Lilly
Commissioner
Department of Public Protection

July 11, 2005

PARTIES OF RECORD

Re: Case No. 2005-00228
The Union Light, Heat and Power Company

Attached is a copy of the memorandum which is being filed in the record of the above referenced case. If you would like to make comments regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Richard Raff at 502/564-3940, Extension 260.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

RGR:v

Enclosure

Honorable John J. Finnigan, Jr.
Senior Counsel
The Union Light, Heat and Power
Company
139 East Fourth Street
Cincinnati, OH 45202

Kate E. Moriarty
Attorney at Law
The Union Light, Heat and Power
Company
139 East Fourth Street
Cincinnati, OH 45202

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File

FROM: Richard G. Raff, Staff Attorney

DATE: July 6, 2005

SUBJECT: Case No. 2005-00228

Pursuant to the request of The Union Light, Heat and Power Company ("ULH&P") and in accordance with the Staff's June 23, 2005 notice, an informal conference was held at the Commission's offices on June 30, 2005. A list of the attendees is attached hereto.

ULH&P presented a general discussion of the merger between its parent holding company, Cinergy Corp., with Duke Energy Corporation ("Duke"). ULH&P briefly stated that the merger would produce projected total savings of approximately \$400 million, but indicated that neither the amount of the savings nor a mechanism to flow savings back to ratepayers had been finalized. General statistics regarding Cinergy Corp. and Duke pre- and post-merger were discussed as shown in the presentation by ULH&P, a copy of which is attached hereto.

The need and timing of regulatory approvals from this Commission and other state and federal regulatory agencies were discussed as well. ULH&P anticipates a mid-July filing date for the application requesting PSC approval of the merger. The parties briefly discussed the amount of time that would be necessary to process this application, but no agreement was reached on that issue. Staff indicated that, once the application was filed, a procedural schedule would be issued. Any objections to the procedural schedule, or requests to extend the time in which the application is to be reviewed, will need to be in writing and will be reviewed if and when they are filed.

cc: Parties of Record (with list of attendees only)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

MERGER AGREEMENT BETWEEN)
CINERGY CORPORATION AND) CASE NO. 2005-00228
DUKE ENERGY CORPORATION)

=====
June 30, 2005 Informal Conference
=====

Please sign in:

NAME

REPRESENTING

Richard Ruff

PSC - Regal

Mike Gribler

ULH&P

JOHN FINNIGAN

ULH&P

Greg Fickle

ULH&P

Kate Moriarty

ULH+P

James Coonan

ULH&P

JACK STEFFEN

ULH+P

David Edward Spenser

Attorney General

Robert Weir

ULH&P

Quita Mitchell

PSC -

Dawn McGee

PSC - Financial Analysis

James L. ...

PSC - Financial Analysis

JEFF SHAW

PSC - FIN. ANALYSIS

Dennis Howard

OAG

Case No. 2005-00228
Informal Conference
June 30, 2005



Transaction Specifics

- Delaware holding company – Duke Energy Corporation
- Consideration – 100% stock. Merger at the holding company level
- Corporate headquarters for DEC
 - Charlotte, North Carolina
- ULH&P remains a Kentucky corporation, with corporate and operational headquarters in Cincinnati



Merger Combines Two Low Cost Operators

Cinergy

Midwest Regulated Generation

Coal	5,488 MW
Gas	1,263 MW
Oil	259 MW
Hydro	45 MW

Midwest Unregulated Generation

Coal	4,186 MW ⁽¹⁾
Gas	736 MW
Oil	324 MW



Duke Energy

Southeast Regulated Generation

Nuclear	5,020 MW
Coal	7,754 MW
Gas	2,446 MW
Hydro	2,810 MW

Midwest Unregulated Generation

Gas	3,600 MW
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(1) Includes the 1.105 MW to be transferred to ULH&P per Case No. 2003-00252.



Key Operational Metrics

As of December 31, 2004

	Duke	Cinergy	Combined
Number of employees	21,500	7,850	29,350
Electric customers (millions)	2.2	1.5	3.7
Gas distribution customers (millions)	1.2 ⁽²⁾	0.5	1.7
Generation assets owned (MW) ⁽¹⁾	32,000	14,000	46,000
Generation assets operated (MW) ⁽¹⁾	35,000	19,000	54,000
Service territory (square-miles)	22,000	25,000	47,000

(1) Amounts include domestic and international MW and are rounded.

(2) Refers to Duke's Union Gas LDC in Ontario, Canada.

Duke Energy Strategic Rationale

- Merger will strengthen business platforms and will increase value immediately and in the longer term
- Approximately \$400 million in gross annual synergies at a steady state
 - Regulated savings to be shared between customers and shareholders
- Increased scale and scope of North American generation
 - Regulated operations with more than 25,000 MW of generating capacity
 - Merchant power business with combined 16,000 MW of generating capacity
- Merchant power business gains fuel and market diversity
- Stand-alone strength for both electric and gas operations provides portfolio flexibility
 - Electric operations would be in top 5 of largest in US by implied market cap
 - Gas operations would be the largest in US by implied market cap

Cinergy Strategic Rationale

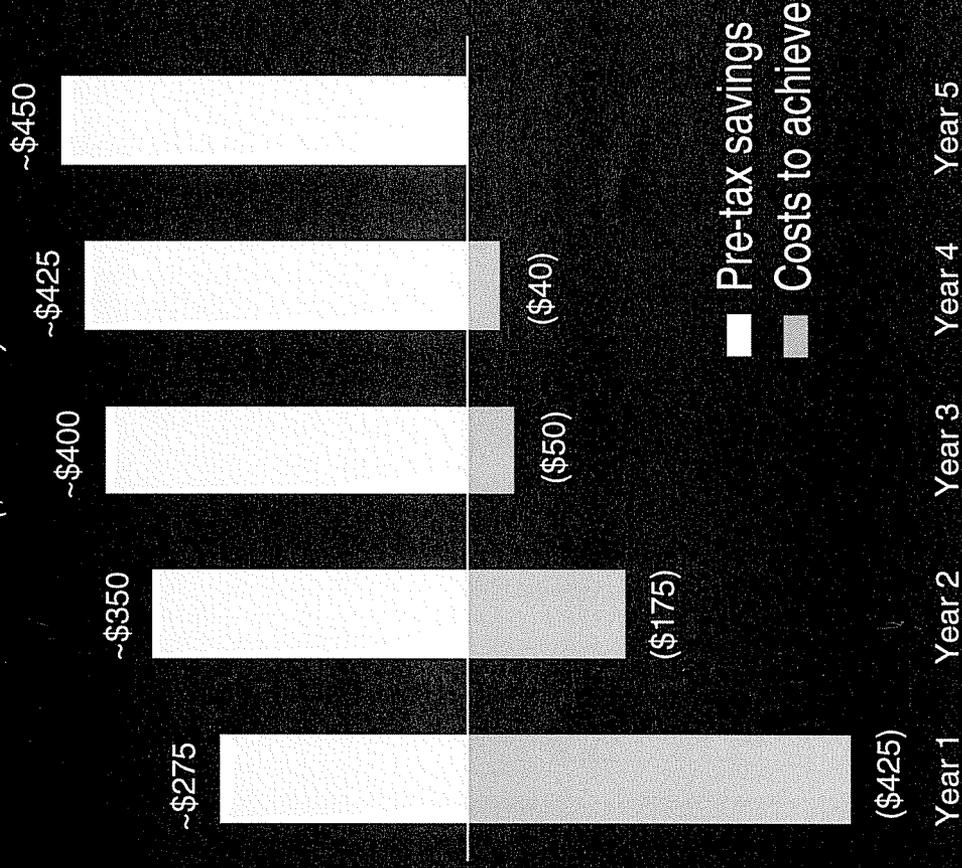
- Transforming transaction providing value to customers
- Brings together two premier franchised electric utility platforms
- Adds fuel and geographic diversity
- Companies share similar values and goals
- Experienced and compatible management teams

Merger Cost Savings



- Approximately \$400 million in annual pre-tax cost savings, before costs to achieve, by year 3
- Savings are ~ 50% non-regulated and 50% regulated
- Costs-to-achieve largely incurred by end of year 2
 - ~ 40% expensed
 - ~ 60% capitalized
- Rapid integration approach to achieve Day-1 readiness and accelerate savings realization

Five-Year Savings Summary
(\$ in millions)





Impacts on ULH&P

- Duke and Cinergy have non-adjacent operating company service territories, so no plans to reduce critical field service personnel
- Combining the knowledge base will allow Duke and Cinergy to develop “best practices”
- Common goal – to provide safe and reliable service at reasonable prices
- ULH&P will maintain local presence

Regulatory Approvals

- State filings: Kentucky, Indiana, Ohio, North Carolina and South Carolina
- FERC filing
- SEC approval expected 4 – 6 weeks after obtaining all state and FERC regulatory approvals
- Other filings include DOJ, NRC, etc.



CINERGY®